Trade Promotion Spending and Performance

The 1992 Export Enhancement Act Amendments (Public Law 102-429), which established the TPCC framework, emphasized the importance of a unified approach to budgeting for TPCC programs. The Executive Branch and Congress use a number of different forums to decide the budgets of the Federal agencies that promote trade. Trade promotion budgets cut across agencies, budget functions, authorization committees, and appropriation subcommittees. Therefore, in practice, there is no single “trade promotion” budget that can be analyzed and rearranged. For example, during the Congressional budget process, trade promotion spending is included in:

- Five Congressional budget functions—Function 150 (international affairs), Function 270 (energy), Function 350 (agriculture), Function 500 (education, training, employment, and social services) and Function 800 (general government); and
- Seven appropriations subcommittees—Foreign Operations, Commerce/Justice/State, Treasury/Postal, Agriculture, Interior and Related Agencies, Energy and Water, and Labor/Health and Human Services/Education.

During the preparation of the FY 1999 Budget, the Office of Management and Budget, with the cooperation of the relevant Federal agencies, made important progress on a comprehensive and coordinated review of Federal efforts in trade promotion. Such efforts will continue in the future, with the inclusion of analytical material required under the Government Performance and Results Act (GPRA).

I. Unified Budget Data

Table 1 summarizes budget authority for trade promotion activities by agency from FY 1994 through FY 1998 and proposed levels for FY 1999. Total TPCC spending in FY 1998 will be about $2.4 billion, about the same level as FY 1997. Proposed FY 1999 funding is $2.7 billion, an increase of $282 million. Most of the increase is accounted for by the Export-Import Bank of the United States (Ex-Im Bank) and the U.S. Department of Agriculture (USDA) programs. The proposed FY 1999 level for Ex-Im Bank is $131 million (18 percent) higher than the FY 1998 level, representing the largest proposed increase.

Figure 1. TPCC Spending By Agency FY 1993-1998

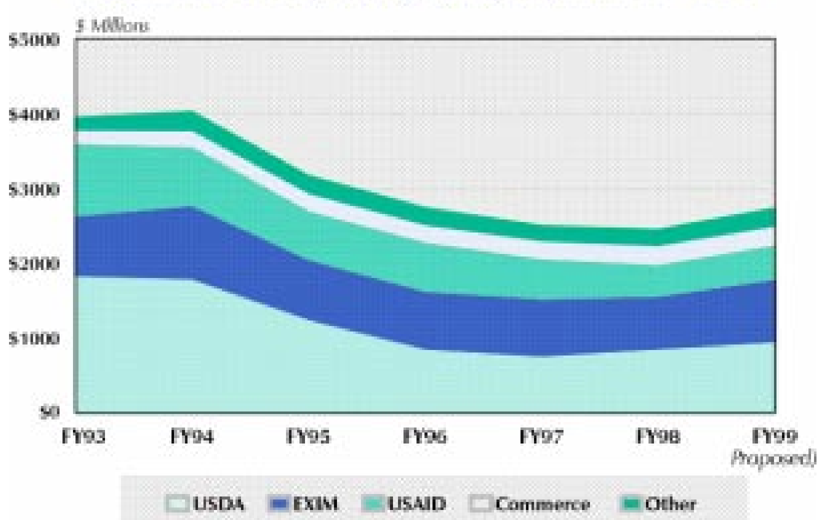


Table 1. TPCC Program Budget Authority *(Figures may include administrative expenses)*

Agency	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	Change from FY 1997	FY 1999 *(Proposed)*	Change from FY 1998
Department of Agriculture	1,764	1,223	829	734	830	96	924	94
Department of Commerce	219	236	235	241	260	19	255	(5)
Department of Energy	10	14	9	5	6	1	8	3
Department of Labor	1	1	1	0	0	0	0	0
Department of State	93	90	90	95	99	4	105	6
Department of Transportation	34	15	36	13	15	2	23	8
Department of Treasury	2	2	2	2	2	0	3	1
Agency for International Development	792	657	661	540	425	(115)	463	38
Environmental Protection Agency	11	10						
Export-Import Bank	973	793	763	758	696	(62)	828	132
OPIC	(70)	(81)	(107)	(117)	(175)	(58)	(176)	(1)
Small Business Administration	10	18	6	8	8	0	8	0
Trade and Development Agency*	59	53	54	51	56	5	62	6
U.S. Information Agency	29	29	27	25	24	(1)	24	0
U.S. Trade Representative	22	21	21	21	23	2	25	1
Total**	**4,019**	**3,162**	**2,734**	**2,493**	**2,446**	**(48)**	**2,728**	**284**

* TDA figures include transfers for TDA programs in Bosnia, the South Balkan Development Initiative and the NIS. The proposed FY 1999 budget includes expected transfers of $12 million.

** Totals do not include OPIC.

All Figures in $ Millions

The Administration has requested a significant increase in the Ex-Im Bank's credit subsidy funding for FY 1999 so that the Bank can finance additional exports in higher-risk markets where U.S. exporters are seeking increased financing support, and where the Bank's backing is most critical to assisting U.S. exporters to win sales. In markets such as Russia, Venezuela, Brazil, Egypt, and Ghana, U.S. exporters often face inadequate (especially longer-term) commercial bank financing and foreign competitors backed by officially supported financing, The requested credit subsidy budget increase for FY 1999 will be accompanied by some program changes in FY 1999 that will allow the Bank to stretch its credit resources for a given financing level, thereby enabling the Bank to better manage increased exporter demand.

Table 2 considers the distribution of Federal spending across the major trade promotion functions. Beginning with the TPCC's *National Export Strategy* of October 1994, seven major areas for Federal involvement have been identified:

- Negotiating open markets, and lowering and removing trade barriers;
- Combating foreign export subsidies;
- Financing and insuring U.S. trade and investment;
- Providing information, counseling, and export assistance services;
- Providing government-to-government advocacy on behalf of U.S. business;
- Funding feasibility studies on major infrastructure and development projects; and
- Developing foreign markets for U.S. goods and services.

For FY 1998 and 1999, more trade promotion funding is allocated to combating foreign export subsidies than any other category. The FY 1998 allocation represents a change from 1997, when the largest category was trade and investment finance and insurance. The reallocation between classifications was due to Ex-Im Bank decreasing funding for trade finance, and USDA decreasing funding for insurance and increasing funding to combat foreign export subsidies. In addition, funding allocated to develop foreign markets for U.S. goods and services decreased as TPCC-related Agency for International Development (USAID) funding fell by 21 percent. For FY 1999, proposed funding allocations would continue increasing funding to combat foreign export subsidies while decreasing funding for trade finance, led by USDA and Ex-Im Bank.

Table 2. Trade Promotion Expenditures by Classification *(Figures may include administrative expenses)*

	Budget Authority in $ Thousands			Budget Authority as % of Total		
	FY 97	**FY 98**	**FY 99** *(Proposed)*	**FY 97**	**FY 98**	**FY 99** *(Proposed)*
I. Negotiating Open Markets and Lowering/Removing Trade Barriers	**165,344**	**181,599**	**189,550**	**6.6**	**7.4**	**6.9**
Multilateral Participations	**60,205**	**61,089**	**63,603**	**2.4**	**2.5**	**2.3**
Department of Agriculture	12,738	13,132	14,694			
Department of Commerce	18,391	20,803	20,372			
Department of Labor	166	238	242			
Department of State	20,653	17,924	18,950			
Department of Transportation	227	267	279			
Department of Treasury	880	908	788			
U.S. Trade Representative	7,150	7,817	8,278			
Bilateral Participations	**84,090**	**94,398**	**99,288**	**3.4**	**3.9**	**3.6**
Department of Agriculture	11,754	12,118	13,560			
Department of Commerce	18,285	22,291	21,828			
Department of Labor	249	159	162			
Department of State	45,868	51,055	53,976			
Department of Transportation	341	476	495			
Department of Treasury	443	482	988			
U.S. Trade Representative	7,150	7,817	8,279			
Challenging Unfair Trade Practices	**21,049**	**26,113**	**26,659**	**0.8**	**1.1**	**1.0**
Department of Commerce	8,874	12,704	12,440			
Department of Labor	73	70	71			
Department of State	4,460	4,964	5,248			
Department of Treasury	492	558	621			
U.S. Trade Representative	7,150	7,817	8,279			
II. Combating Foreign Export Subsidies	**320,100**	**840,186**	**1,082,615**	**12.8**	**34.4**	**39.7**
Department of Agriculture	75,603	279,609	415,772			
Department of Treasury	228	317	326			
Export-Import Bank	244,269	560,260	666,517			
III. Financing and Insuring U.S. Trade and Investment	**1,014,181**	**534,179**	**523,039**	**40.7**	**21.8**	**19.2**
Finance	**604,201**	**206,503**	**201,790**	**24.2**	**8.4**	**7.4**
Department of Agriculture	186,624	177,631	89,760			
Department of Transportation	12,777	14,683	22,261			
Export-Import Bank	401,257	11,557	87,384			

	Budget Authority in $ Thousands			Budget Authority as % of Total		
	FY 97	FY 98	FY 99 *(Proposed)*	FY 97	FY 98	FY 99 *(Proposed)*
OPIC (Not included in Subtotal and Totals)	91,000	79,000	70,000			
Small Business Administration*	3,543	2,632	2,385			
Insurance	**409,980**	**327,676**	**321,249**	**16.4**	**13.4**	**11.8**
Department of Agriculture	297,506	203,493	247,150			
Export-Import Bank	112,474	124,183	74,099			
OPIC (Not included in Subtotal and Totals)	(208,000)	(254,000)	(246,000)			
IV. Providing Information/ Counseling/Export-Assistance Services	**245,501**	**252,509**	**253,350**	**9.8**	**10.3**	**9.3**
Counseling	**110,781**	**122,782**	**120,148**	**4.4**	**5.0**	**4.4**
Department of Commerce	108,781	120,403	117,769			
Small Business Administration	2,000	2,379	2,379			
Generating/Providing Information	**108,951**	**101,998**	**106,006**	**4.4**	**4.2**	**3.9**
Department of Agriculture	23,653	23,345	27,133			
Department of Commerce	55,800	50,844	49,789			
Department of Energy	1,969	868	1,310			
Small Business Administration	2,593	2,859	3,359			
U.S. Information Agency	24,936	24,082	24,415			
Trade Events	**25,769**	**27,729**	**27,196**	**1.0**	**1.1**	**1.0**
Department of Agriculture	815	815	815			
Department of Commerce	24,854	26,864	26,306			
Department of Energy	100	50	75			
V. Providing Government-to-Government Advocacy on Behalf of U.S. Business	**28,985**	**30,620**	**32,953**	**1.2**	**1.3**	**1.2**
Department of Commerce	4,496	4,709	4,716			
Department of Energy	684	1,136	1,715			
Department of State	23,805	24,775	26,522			
VI. Funding Feasibility Studies on Major Infrastructure and Development Projects	**50,700**	**56,187**	**62,000**	**2.0**	**2.3**	**2.3**
Trade & Development Agency**	50,700	56,187	62,000			
VII. Developing Foreign Markets for U.S. Goods and Services	**668,039**	**550,511**	**584,310**	**26.8**	**22.5**	**21.4**
Department of Agriculture	124,992	120,185	114,685			
Department of Commerce	1,500	1,500	1,500			
Department of Energy	2,047	3,446	5,200			
Agency for International Development	539,500	425,380	462,925			

* SBA does not have specific budget authority for international trade finance. These figures represent usage for international trade loans of SBA's budget authority under the 7(a) loan program.

** TDA figures include transfers for TDA programs in Bosnia, the South Balkan Development Initiative and the NIS.

II. Performance Measurement

Past TPCC reports included broad measures of performance, such as exports and jobs supported, that were meant to cut across agencies and programs. Beginning in Fiscal Year 1999, however, GPRA requires all U.S. Government agencies, including TPCC agencies, to develop Performance Plans, including specific performance indicators with target values for FY 1999. In most cases, the specific indicators developed by each agency for its performance plan differed from those of other agencies, as well as from the cross-cutting measures developed for prior TPCC reports.

The TPCC will continue to work with agencies during the development of their FY 2000 and subsequent Performance Plans to develop appropriate cross-cutting indicators that can both be used in individual agency plans and allow comparisons of performance across agencies. However, various TPCC programs have unique features and multiple objectives. Thus, while it is important to consider cross-cutting indicators, there are aspects of programs that are specific to the programs or agencies. For example, USDA programs have domestic agricultural objectives as well as export objectives, and a number of TPCC programs have as an objective the economic development of host nations.

It is important to remember that true results measures (as opposed to output measures) can be affected by a number of outside influences that are beyond the reach of TPCC agencies. For example, the recent Asian economic crisis will likely impede USAID's ability to achieve its economic growth and foreign direct investment targets in that region for FY 1999. At the same time, the crisis may actually lead agencies that measure their performance in terms of the value of exports supported to exceed their targets for FY 1999. In both cases, such outcomes are more attributable to the economic situation than to negative or positive performance on the part of TPCC agencies.

It is also important that programs address a need that is appropriate for Government involvement. For instance, Federal trade promotion activities should not displace private-sector activities. The Federal role has been focused on areas where the private sector is not adequately involved, such as in servicing the demands of small businesses; where credit, information, and other market limitations may be present; or in markets, such as in less developed countries, considered too risky without government guarantees. The Federal Government also negotiates market-opening agreements and counters foreign subsidies, functions which are not within the capabilities of private-sector trade promotion.

Measuring the Impact of Trade Promotion Programs

TPCC agencies continue work to determine the economic benefits attributable to their programs. As part of this effort, the Economic Research Service of USDA has conducted studies on USDA, Ex-Im Bank, and Overseas Private Investment Corporation (OPIC) trade promotion programs. This innovative work goes beyond past efforts in this technical and complex field. The studies use models which rely on a number of assumptions to estimate the programs' effects on both American jobs and economic welfare. The assumptions used, including the degree to which the programs support exports which would not have taken place without intervention (additionality) and the degree to which the change in the level of exports would affect world prices (elasticity of export demand), strongly influence the results. These assumptions are necessary because, at this time, agencies do not have the means to measure the additionality of their programs directly and accurately; and econometric estimates of the world demand for program exports are difficult to derive and are highly controversial. Therefore, to date, the results of the studies are speculative. Nevertheless, progress has been made and work continues to develop measures of the impact of trade promotion programs.

TPCC agencies estimate that programs funded in FY 1997 supported about $49 billion of exports, with some exports expected to occur in future years. Since FY 1995, TPCC agencies are estimated to have supported an average of $20 in exports per budget dollar. It should be emphasized that the estimates above reflect several limitations. For example, more than one agency could report the same export as being supported by its programs resulting in double-counting. In addition, the agency estimates of exports supported do not yet accurately indicate programs' additionality; therefore, some of the exports counted above might have taken place even in the absence of TPCC activities. Finally, not all TPCC agencies reported the number of exports supported. For perspective, total U.S. exports of goods and services in 1997 were $938 billion.

III. TPCC Programs by Agency

Department of Commerce

The Secretary of Commerce chairs the Trade Promotion Coordinating Committee. In addition, the Department implements trade promotion programs through its International Trade Administration (ITA). ITA strives to increase the competitiveness of U.S. business in the world economy by promoting U.S. exports, fighting foreign trade barriers, and negotiating and implementing both multilateral and bilateral trade agreements. ITA's goals and objectives are accomplished through the following program units:

Table 3: Department of Commerce Trade Promotion Programs by Fiscal Year *($ millions)*

Program	1996	1997	1998	1999 (Proposed)
Market Access and Compliance	18.4	17.1	17.3	20.3
Trade Development	56.1	58.4	58.9	48.3
The Commercial Service	161.4	165.5	171.0	174.7

- Trade Development (TD) is the home of the Advocacy Center and the Department's advocacy program on behalf of U.S. industry in the global competition for overseas contracts. Through such programs as the Trade Information Center (1-800-USA-TRADE), TD uses its industry sector expertise to counsel American business and promote trade. TD has responsibility for negotiation and enforcement of industry sector trade agreements such as those on autos, textiles, and aircraft.

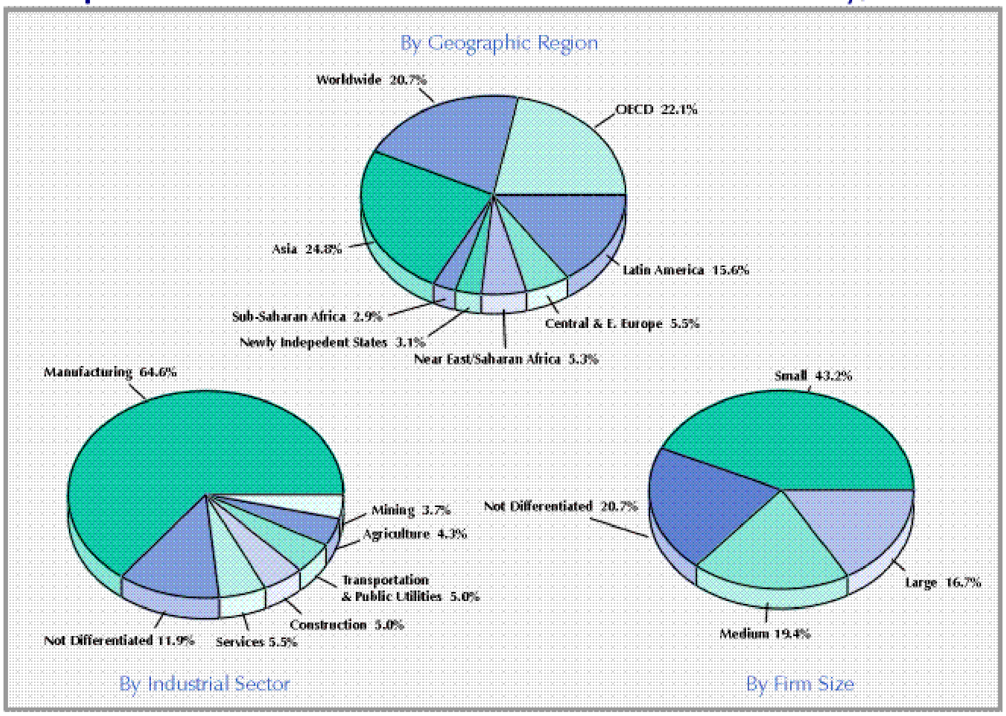
- In order to achieve greater market access for U.S. businesses, Market Access and Compliance (MAC) identifies barriers and the means to overcome them, assists in the formulation of U.S. bilateral and multilateral trade

Key DOC Performance Measures and Goals for FY 1999

Export Growth

- Number/Value of projects supported by advocacy for U.S. firms: 700/$145 billion (gross U.S. exports supported: $12 billion)
- Number of New-to-Export firms resulting from trade promotion efforts: 10,649
- Number of New-to-Market firms resulting from trade promotion efforts: 36,800

Department of Commerce Trade Promotion Activity, 1998



policies, and provides counseling and assistance. ITA created the Trade Compliance Center in 1996 to monitor, investigate, and evaluate foreign compliance with multilateral, bilateral, and other international trade agreements.

- The Commercial Service provides export counseling promotion services to U.S. firms through a network of offices in 47 states and 70 foreign countries. There are 19 U.S. Export Assistance Centers throughout the Nation. The Commercial Service develops and distributes information products and conducts trade shows overseas.

The need for ITA assistance is multifold. Foreign market potential is huge, and in many instances, contracts are awarded by foreign governments. In many of those cases, U.S. government support is needed to ensure that U.S. firms are able to compete on a fair basis. Most industrialized country governments devote significant resources to trade promotion. U.S. exporters may also face market access barriers and require U.S. Government assistance to penetrate these barriers. Small and medium-sized businesses, which are under-represented in the export community, often need assistance overcoming the relatively high cost of information.

Office of the U.S. Trade Representative (USTR)

USTR is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, as well as for leading or directing negotiations with other countries on such matters. USTR provides trade policy leadership and negotiating expertise in its areas of responsibility. These include: all matters with the World Trade Organization (WTO), including implementation of the Uruguay Round of trade negotiations; trade, commodity, and direct investment matters dealt with by organizations such as the Organization for Economic Cooperation and Development (OECD) and the United Nations Conference on Trade Development; export expansion policy; trade-related intellectual-property protection issues; import policy; and other bilateral and multilateral trade and investment issues. Interagency coordination is accomplished by USTR through the Trade Policy Review Group and the Trade Policy Staff Committee.

USTR Strategic Goals

- Formulate the trade policy of the United States to advance the national economic interest and reflect fully the views of the Executive Branch, the Congress, and the Private Sector.

- Negotiate trade and investment agreements to advance the national economic interest. Monitor, enforce, and modify these agreements to ensure that the intended benefits are achieved.

- Build confidence in the trade and investment policy of the United States by communicating with the Congress, the private sector, the media, and the general public.

Department of State

The Department of State and its embassies around the world participate in TPCC activities on a number of levels. State Department and embassy officers have well-established contacts with foreign government officials in areas including trade, industry, finance, and customs. These officers help U.S. firms resolve trade and investment issues with foreign governments and overcome business problems related to local laws, regulations, taxes, and import restrictions. They also analyze foreign political and economic developments and brief U.S. businesses on the local political and business climate. As experts on host country economies and business practices, State Department officers work closely with their colleagues in the Commercial Service and other agencies to identify opportunities for U.S. firms and to advocate on their behalf.

In many overseas markets, State Department officers report and negotiate for the entire spectrum of U.S. government agencies. State Department officers in Washington and abroad play important roles in negotiating economic agreements on trade, investment, intellectual property rights, taxation, civil aviation, telecommunications, and debt, and in ensuring that those agreements are honored. In addition, the State Department represents interests of U.S. businesses in many international forums.

Department of the Treasury

The Department of the Treasury supports TPCC efforts through a variety of activities undertaken by the Departmental Offices (DO), including:

- Leading international negotiations to reduce the use of export financing subsidies by other governments. Treasury objectives include implementing recent international export financing agreements and policing existing tied aid disciplines.

- Working to achieve a multilateral agreement within the framework of the GATT that will provide substantially full market access and national treatment for U.S. financial services firms.

- Promoting a global macroeconomic and financial environment that is conducive to the long-run interests of the U.S. economy, e.g., by supporting a central role for the International Monetary Fund (IMF) in balance of payments and structural adjustment of countries with economic difficulties and by encouraging stability in financial markets.

- Working to ensure that the United States meets all current and past financing commitments to the international financial institutions, such as the multilateral development banks and the IMF, in order to maintain U.S. leadership on global economic issues.

- Working to ensure that International Financial Institution (IFI) programs and policies support broad-based sustainable development and market-oriented policies, including poverty reduction, environmental sustainability, and private sector development.

- Working with the IFIs and in the OECD to discourage, deter, and criminalize corruption in international commercial transactions, and to promote good governance and financial accountability.

- Providing reform-committed countries with technical assistance to improve their ability to pursue sound policies, to promote well-managed liberalization of the financial sector, and to generally facilitate their transition to a market based economy.

Examples of Treasury's Performance Measures

- Developing country acceptance of U.S. recommendations for economic reforms, as measured in bilateral agreements and communiques
- Negotiation of bilateral and multilateral agreements to stimulate foreign investments of U.S. firms
- Level of U.S. exports of goods and services

In addition, DO is involved in the administration of trade and customs agreements, and Treasury's Office of Foreign Assets Control (OFAC) administers and participates in the review of U.S. export control and economic sanctions regimes.

Department of Agriculture

The U.S. agricultural economy is highly dependent upon international markets. Over 30 percent of all U.S. food sales are expected to be to overseas buyers, yet the U.S. has less than a 10 percent share of the world trade in high-value food exports. With this in mind, USDA agencies' annual performance plans, in compliance with GPRA, reflect strategic objectives aligned with the goal of enhancing foreign export opportunities and market successes for the U.S. food industry. Many traditional farm support programs are no longer available to U.S. farmers as a result of the Freedom to Farm legislation. This makes export expansion of U.S. food products a safety net for farmers and the food processors who utilize their crops to produce high-value consumer-ready foods.

USDA undertakes a range of programs designed to expand overseas market opportunities and eliminate market failures affecting U.S. exporters. Not only does USDA intend to "level the playing field" in international markets for U.S. exporters, it anticipates its vigorous and focused approach will result in expanded export opportunities for the agricultural industry. USDA's international activities also include supporting markets through food aid donations, and international technical, research, and educational activities aimed at food safety, storage, and international standards that develop long-term market prospects. USDA's key strategies for accomplishing its objectives on the international front are as follows.

Market access has been expanded for the U.S. agricultural sector through USDA's partnership with other U.S. Government agencies over the years in negotiating open markets and removing trade barriers. Important trade agreements over the last several years include the General Agreement on Tariffs and Trade (GATT), the North American Free Trade Agreement (NAFTA), and the Japan Beef-Citrus Agreement. Export barriers by foreign countries based on unscientific sanitary and phytosanitary standards are a continuing problem for U.S. exporters and are a major focus of USDA's strategy to expand markets. Additionally, the upcoming extension of the Uruguay Round in the year 2000 will offer opportunities that benefit U.S. exporters of agricultural products into the foreseeable future.

USDA's Key Global Strategies

- Gain Access
- Promote Trade
- Educate Exporters
- Reduce Risk
- Facilitate Partnerships
- Disseminate Market Intelligence

USDA's global market development, promotion, and outreach strategies are designed specifically to serve the U.S. agricultural sector and the food processing industry. These activities include the Market Access Program (MAP) and the Foreign Market Development (FMD) program that assist companies in establishing marketing contacts and distribution channels and in identifying foreign buyers. To reduce risk to new-to-export companies, most of which are small to medium-sized firms, USDA provides targeted market intelligence, education, and guidance on regulations and in-country services in the agricultural and food processing sectors. USDA projects 1,580 new-to-export companies per year will be introduced to the benefits of exporting; most will receive some level of Foreign Agriculture Service (FAS) assistance. FAS' Emerging Markets Program (EMP) will play a vital role in promoting market development in, and access for U.S. businesses to, emerging markets by sponsoring an estimated 350 outreach events per year. These events will generate interest in U.S. agricultural products.

USDA's **market intelligence** function plays a critical role in facilitating U.S. agricultural exports and in assuring unbiased price discovery to level the playing field for international trade. International trading centers world-wide react to USDA's monthly crop forecasts as the bellwether for all other forecasts by the private sector and other governments. FAS' strategy is to improve estimates of crop production for major U.S. competing and importing countries using onsite visits to supplement its satellite imagery analysis. Trade leads, foreign buyer alerts, and U.S. supplier lists also help U.S. exporters and foreign importers. Market intelligence on production, supply, and demand will be augmented by an estimated 5,500 overseas trade leads per year, and an additional 2,000 more foreign importers will be listed electronically per year to the current list of 22,000. FAS' Internet web site (www.fas.usda.gov) received tens-of-thousands of visits each month. An estimated 20,000 trade outlook articles, crop condition publications, and market analyses are distributed through this medium every year.

Sample USDA FY-1999 Performance Indicators and Targets

Market Access:

- Number of sanitary and phytosanitary issues resolved: **65**
- Number of trade issues addressed: **485**

Market Development, Promotion, and Outreach:

- Number of new foreign buyers introduced to U.S. products through FMD/MAP: **1,100**
- Cumulative number of U.S. based companies exporting agricultural products: **8,500**
- Number of companies assisted in establishing marketing and distribution channel contacts through the FMD/MAP programs: **1580**

Foreign Market Intelligence Services:

- Number of overseas trade leads generated: **5,500**
- Cumulative number of FAS publications and market analyses distributed via FAS Internet homepage: **20,000**

Financial Assistance Programs:

- Percent use of GSM credit guarantees to countries lacking liquidity to purchase U.S. agricultural products commercially based on risk and market assessments: **74%**

Financial Market Assistance will be used by USDA to counter export subsidies of foreign competitors and to leverage market opportunities for U.S. agricultural, fish, and forest products in countries where foreign exchange shortages constrain exports. USDA's strategy is to focus on the combination of export programs—credit guarantees, trade negotiations, and emerging market projects—that can effect the greatest benefit to U.S. exporters. Over the coming year, 85 developing countries will be considered for risk coverage under GSM export credit programs. Additionally, USDA expects to award credit guarantees to an increased number of country applicants applying for the GSM 102/103 programs.

Agriculture's long-term market and infrastructure development strategy has three basic purposes: 1) to help meet international food security challenges and support sustainable agricultural development internationally; 2) to meet humanitarian assistance needs, promote sustainable long-term economic development, and increase and diversify U.S. agricultural exports; and 3) to address food and nutrition issues, including training foreign officials on U.S. food safety standards and the use of biotechnology standards to combat world hunger and malnutrition.

Over the coming year, 250 training activities will be facilitated to build sustainable foreign markets through exposure to U.S. technology, agribusiness products, and interaction with U.S. agribusinesses. An additional 1,000 technical assistance activities will be facilitated to enhance agricultural development. USDA plans to educate foreign participants in U.S. food safety standards to effect a decrease in the number of country-specific detentions of U.S. food exports and improve the quality and safety of food products imported by the United States. These technical support programs will enhance the impact of food aid programs, such as Food for Progress and P.L. 480 Title I, and boost the success rate for sustainable agricultural development and market stability.

USDA underscores its commitment to help meet international food security challenges and U.S. Government commitments through the administration of food aid and other assistance programs. The P.L. 480, Title I program will offer an increased percentage of program resource allocations to Sub-Saharan Africa. Additionally, an estimated 74 percent of Food for Progress program resources will be distributed to low-income developing countries which demonstrate continued economic growth.

Export-Import Bank

The mission of Ex-Im Bank is to provide export financing to support the sale of U.S. goods and services to foreign buyers in order to ensure that purchase decisions are made on the basis of market forces (price, quality, service, and technology), and not on the basis of financial market imperfections. Such imperfections include foreign official credit competition and private markets' limited capacity for risk absorption in certain areas.

Ex-Im Bank is not a foreign aid or development agency, and its Board of Directors will approve transactions only where it can find "reasonable assurance of repayment." During the 1990s, Ex-Im Bank has provided an average of $12 billion in new loans, guarantees, and insurance annually. Historically, the Bank has extended credits primarily to foreign governments. However, the global trend toward privatization and freer trade since the early 1990s has changed the face of Ex-Im Bank borrowers. In the past several years private buyers located in foreign countries have accounted for two-thirds to three-fourths of the Bank's new business.

The challenge facing Ex-Im Bank is to meet the evolving needs of U.S. exporters in a rapidly changing world economy while providing value for U.S. taxpayers. To this end, the Bank's Chairman has outlined his vision for the future of Ex-Im Bank. This vision has served as a basis for the GPRA strategic and performance plans. The Chairman's "Vision Statement" can be summarized as follows:

- Expand financing available for American exports by *pioneering joint ventures with the private sector;* Develop innovative financing programs to facilitate a major increase in Ex-Im Bank's *support for small and medium-sized companies* that are engaged in export activity;
- Better *integrate Ex-Im Bank's programs and activities with other export assistance programs* of the U.S. government;
- Lead international efforts to *reach new agreements to reduce export finance subsidies* and trade distorting practices; and
- Recruit, develop, and retain hardworking, talented employees committed to *outstanding customer service.*

Consistent with these guiding principles, Ex-Im Bank has identified three primary goals that are intrinsic to achieving its mission: Making a Difference, Taxpayer Value, and Customer Service. *Making a Difference* focuses on designing programs and directing resources to make a difference for U.S. exporters by providing support where needed. With its *Taxpayer Value* goal, Ex-Im Bank places a high priority on using its resources wisely, efficiently, and to the best benefit of the U.S. taxpayer. And finally, the Bank realizes that providing excellent *Customer Service* to all U.S. companies, both large and small, is imperative to the successful achievement of the agency's mission. In its FY 1999 annual performance plan, the Bank outlines objectives and performance measures for each of the three goals.

Overseas Private Investment Corporation

The mission of OPIC is to encourage private-sector investment abroad, furthering U.S. competitiveness, employment, export, and foreign-policy interests as well as the economic development of emerging nations. OPIC lays out its mission in its Strategic and Performance plans under GPRA.

OPIC's 5 Strategic Goals

Goal 1: To advance U.S. foreign policy and development initiatives and to promote free enterprise and democracy in developing countries and economies in transition

Goal 2: To help American businesses—large and small alike—compete in emerging markets

Goal 3: To strengthen economic growth at home by supporting U.S. investment overseas

Goal 4: To be effective and self-sustaining, operating at no net cost to the American taxpayer

Goal 5: To promote best U.S. practices in the areas of business, the environment, and worker rights

OPIC carefully manages itself to minimize risk and maximize value to the U.S. taxpayer. OPIC does this by ensuring, for example, that projects it supports are financially robust, and do not harm the environment, jobs in the United States, or workers overseas. Moreover, OPIC provides its services in countries where the private sector is not yet willing to provide financing and insurance services.

Sample OPIC Indicators

- Increased number of projects in the pipeline for the geographic/regional areas identified in Congressional/ Administration foreign policy initiatives
- Five-year historical average number of project/ finance commitments maintained or exceeded
- No net negative U.S. employment effect

Many foreign governments help their businesses mitigate the risks of large foreign investments which operate under different guidelines.[1] However, unlike most of its foreign counterparts, OPIC also has an economic development mission. In addition, OPIC adheres to worker rights and environmental protection statutes and

1/ According to the Berne Union (a group representing official export credit guarantee agencies), 33 countries provide their own companies some form of political-risk insurance comparable to OPIC. OPIC also assists with project finance for investment. Other nations provide similar support for non-recourse and limited recourse lending.

analyzes projects to assure that they are beneficial to the U.S. economy. Moreover, OPIC is a "self-sustaining" agency, and has reported positive net income every year since its inception in 1971.[2]

Trade and Development Agency (TDA)

TDA's programs seek to achieve two objectives:

- First, TDA helps host countries develop optimal strategies for infrastructure projects in an open economic environment.

- Secondly, TDA helps the U.S. private sector compete with other nations' suppliers. Some foreign governments have aggressive mechanisms to help their firms in the early planning of major infrastructure projects. TDA's feasibility studies help to counterbalance foreign promotion programs by delivering useful information to U.S. firms of all sizes on important foreign projects.

TDA Goals

- Fight foreign government supported competition
- Support U.S. foreign policy
- Increase developing country access to U.S. technology
- Facilitate the flow of information about procurement opportunities to U.S. firms

For example, foreign engineering firms sometimes use technical specifications that create market-access barriers to U.S. firms because they have long-standing institutional or financial relations with vendors in their own countries. U.S. engineering firms tend to produce specifications that allow wider competition. This freer competition helps both U.S. firms and host countries seeking the best possible investments for the best price.

TDA Programs

- Feasibility studies
- Specialized training grants
- Orientation visits
- Business workshops
- Technical assistance

In choosing which projects to focus its resources on, TDA carefully evaluates the project at hand, the likelihood of foreign government support, and the competitiveness of U.S. suppliers. To maximize value to the taxpayer, TDA also structures its grants so that the agency is repaid if a TDA feasibility study later results in a successful procurement for TDA's private sector partners. Where possible, TDA and the taxpayer are repaid, the U.S. company gains entree to a developing market, and the host country reaps the benefits of U.S. technology and skills.

Under GPRA, TDA evaluates itself according to the measures listed below with targets for FY 1999.

- Increase the export multiplier ratio from 31:1 to 32:1.
- Increase from 33% to 34% the percentage of TDA projects to which U.S. firms export.
- Maintain at 32% the percentage of TDA's budget going to small U.S. companies.

2/ OPIC is not included in TPCC budget totals and subtotals due to positive cashflow from insurance operations and reserves. Insurance programs, unlike credit programs, are not reported on a discounted present-value basis in the budget. Instead, OPIC sets aside reserves to cover future losses and obligates the amount of those reserves in the year in which they are established. Reserves are established on a portfolio-wide basis, rather than on a contract-by-contract basis, and represent funded liabilities.

- Develop a baseline to be able to measure the ratio of public sector vs. private sector projects.

Small Business Administration (SBA)

The Office of International Trade (OIT), within SBA, is responsible for SBA's mandate to encourage small business exports and improve access to capital for trade finance. SBA aims to provide trade promotion and finance assistance that would not be readily available in the private sector. OIT assists small firms through the Export Working Capital Program (EWCP) and the International Trade Loan (ITL) Program. SBA also works with the Service Corps of Retired Executives (SCORE) and the Small Business Development Centers (SBDCs), which both help small firms assess the feasibility of their export marketing plans and obtain necessary data for loan applications. In addition, SBA is a partner with the Department of Commerce and the Ex-Im Bank in the U.S. Export Assistance Centers (USEACs).

SBA projects an increase in the volume of the EWCP from FY 1998 to FY 1999 due to the implementation and projected use of SBA's new tool, *SBA Export Express*. SBA is projecting a 71 percent increase in the number of loans with a 36 percent increase in the dollar volume. The difference in the degree of increase in these amounts is due to a cap on the SBA Export Express program of $250,000 per transaction vs. $750,000 for the EWCP. SBA Export Express will increase the number of guaranteed export loans by allowing SBA lenders to determine electronically if an export transaction is creditworthy, and by helping to assess the soundness of the transaction in accordance with generally accepted business standards for export financing. The increase in the program is in concert with SBA's FY 1999 strategic plan for GPRA.

U.S. Agency for International Development (USAID)

USAID has an important complementary role in the TPCC strategy. USAID's trade-related activities include bilateral assistance where the primary objective is to promote broad-based economic growth in developing nations through policy reform, market development, agriculture, and infrastructure. USAID's Title III program provides grants of food aid to countries to encourage policy reform such as agricultural development. Technical assistance also supports TPCC objectives by helping to build foreign markets for U.S. goods and services. Table 4 provides additional background on USAID's programs with significant trade promotion components.

Latin America: In Central America, inefficient state-owned monopolies in the power and telecommunications sectors are a major constraint to economic growth and private sector activity. USAID has provided technical assistance to the governments of Guatemala, El Salvador, and Nicaragua in the drafting of legislation and the design of regulatory reforms to privatize these sectors. This technical assistance also has provided the framework for harmonizing the rules and principles for the operation of the region's electricity market. Central American countries are expected to have a better chance of attracting private investment when small national markets are consolidated into a regional market.

Table 4. USAID Trade Promotion Programs by Fiscal Year *($ millions)*

Program	1997	1998 estimate	1999 proposed
Agriculture	125.4	120.9	126.6
Microenterprise	60.3	48.7	52.1
Other Economic Growth	353.8	255.8	284.2
Total	**539.5**	**425.4**	**462.9**

Africa: USAID supports policy reform throughout Africa in the areas of privatization; liberalized trade and investment legislation; and improved legal and regulatory environment for private-sector development. USAID has programs to create an improved enabling environment for foreign investment in Tanzania, Mozambique, Uganda, Malawi, Madagascar, and Guinea-Bissau. These activities include: streamlining business regulations; improving the efficiency of port clearance; and instituting alternative dispute resolution systems to resolve commercial and contract issues quickly. USAID's regional program in Southern Africa is working to harmonize transport and telecommunications protocols across member countries of the Southern Africa Development Community (SADC). USAID also provides direct assistance to the U.S. business community. USAID's Global Technology Network (GTN) helps U.S. businesses identify opportunities in Africa and enables U.S. companies with no former experience in Africa to begin exporting to the continent.

Asia and the Near East: In Egypt, USAID has helped to develop and expand the Cairo and Alexandria security exchanges and to improve banking legislation. USAID's efforts to develop capital markets, banking systems, and fiscal systems also are underway in Indonesia, India, the Philippines, Sri Lanka, and Mongolia. USAID has also supported trade promotion and policy reforms: in the Philippines, liberalization has lead to substantial increases in trade; in Jordan, customs and business registration procedures have been streamlined; in Indonesia, USAID is assisting the Ministry of Trade and Industry to prepare significant tariff reductions; and in Egypt, trade procedures are being streamlined and tariffs reduced. In addition, USAID Missions help to promote microenterprise activities in Jordan, Nepal, Bangladesh, India, Egypt, Sri Lanka, the Philippines, Morocco, and Lebanon.

Newly Independent States (NIS) and Central and Eastern Europe (CEE): In the NIS, USAID is phasing down privatization-related technical assistance and increasing its emphasis on post-privatization enterprise development, fiscal reform, and banking and capital markets. In particular, USAID activities have led to the development of capital markets in Russia, the Ukraine, Kazakstan, and Kyrgyzstan; the privatization of segments of the power sector in Russia, the Ukraine, and Georgia; and the establishment of security exchanges, commercial laws, and new tax codes. In Eastern Europe, USAID assistance is helping to ensure that the policy, legal, and regulatory environment for enterprise development is in place and functioning, and more broadly, that economic reforms are sustainable.

Other Agencies

The Department of Energy (DOE), through the Office of Fossil Energy and the Office of Energy Efficiency, conducts international programs that encourage the use of U.S. fossil energy (particularly coal) technologies, resources, and services abroad. DOE also conducts international activities to promote the use of efficient and renewable energy technologies, with the goal of providing both environmental and export benefits.

The Department of Labor participates in the TPCC through its Office of International Economic Affairs (OIEA), in the Bureau of International Labor Affairs. OIEA assists in the development of U.S. international economic policies, ensuring consideration of the effects of such policies on domestic employment and income, with the goal of promoting U.S.-based production and higher-skills/higher-wage jobs in the United States.

The Environmental Protection Agency's (EPA) international-technology and capacity-building programs overseas enhance worldwide demand for environmental technologies and services, thereby creating potential commercial opportunities for U.S. businesses. Private-sector involvement in the implementation of EPA's international programs helps the Agency achieve its environmental objectives overseas, while contributing to Administration goals on trade. EPA's international technology programs are managed by the Office of International Activities.

The Department of Transportation (DOT) supports improved transportation efficiency and flexibility which reduces the cost of domestic and export goods. The Maritime Administration, within DOT, is responsible for the Title XI Guarantee Program, which promotes the growth of the U.S. merchant marine and U.S. shipyards by enabling eligible vessels and shipyards to obtain favorable long-term financing. The National Shipbuilding and Shipyard Conversion Act of 1993 extended Title XI coverage to foreign purchasers of U.S.-built ships and made assistance available for U.S. shipyard modernization. The legislation assists U.S. shipyards in the conversion from military to international and domestic commercial markets.

USAID Performance Measures and FY 1999 Targets

Latin America:
- Percentage of countries with improved Heritage Foundation economic freedom scores: **75%**
- Percentage of countries in which direct foreign investment clearly increases: **95%**

Africa:
- Percentage of countries with improved Heritage Foundation economic freedom scores: **50%**
- Percentage of countries in which direct foreign investment clearly increases: **80%**

Asia and the Near East:
- Percentage of countries with improved Heritage Foundation economic freedom scores: **50%**
- Percentage of countries in which direct foreign investment clearly increases: **75%**

NIS and CEE Countries:
- Percentage of countries with improved Heritage Foundation economic freedom scores: **80%**
- Percentage of countries in which direct foreign investment clearly increases: **95%**

IV. Conclusion

Although the Office of Management and Budget, with the cooperation of the relevant Federal agencies, made every effort to have a comprehensive and coordinated review of Federal efforts in trade promotion during the FY 1999 budget process, there are numerous obstacles yet to overcome. Agencies in the TPCC focus on a wide range of issues, and for many, trade promotion is just one of many objectives. In addition, for agencies such as USDA and DOE, objectives are based on specific sectors, not on the economy as a whole. Budget decisions cannot simply focus on the economy-wide trade promotion benefits of the programs listed in this report. Resource allocations must be made in consideration of the legitimate claims on resources these agencies make. Allocations are not simply based on their contribution to increasing overall exports, but on the sectoral effects of the programs and their contributions to other goals.

In addition, it is difficult to use trade promotion as a factor in budget decisions since measures of the contributions individual programs make to increasing both exports and overall economic welfare, although being refined, are unreliable at this time. In order to gain the information necessary to evaluate the effectiveness of export promotion programs, agencies must develop accurate estimates of the additionality of these programs. Once estimates of additionality are available, continued study of the link between additional exports and overall economic welfare is needed. Although USDA's studies are a start, we must expand the analysis to all programs and work toward identifying a more reliable set of assumptions.

Although there are many obstacles to overcome, the Executive Branch is continuing the efforts begun in the TPCC process to implement a meaningful cross-cutting review of Federal efforts in trade promotion. We look forward to including the use of reporting required under GPRA in our evaluations of individual programs. The TPCC will also continue work toward the development of appropriate cross-cutting indicators that can both meet the needs of individual agencies and allow comparisons of performance across agencies. Agencies will continue efforts to evaluate their impact on exports through improving measures of additionality. Finally, we will continue to explore models for evaluating the relationship between the additional exports created through TPCC programs and overall economic welfare.